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ES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATIONNAME OF BROKER-DEALER: **Meridien Financial Group, Inc.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

10 Dorrance Street
(No. and Street)
Providence R.I. 02903
(City) (State) (Zip Code)

PROCESSED

MAR 09 2006

THOMSON
FINANCIAL

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael L. Balasco 401-272-4700
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Batchelor, Frechette, McCrory, Michael & Co.
(Name - if individual, state last, first, middle name)
40 Westminster Street Providence R.I. 02903
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent

public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

3/8/06

OATH OR AFFIRMATION

I, **Michael L. Balasco, Principal & President**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Meridien Financial Group, Inc.**, as of **December 31, 2005**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Michael L. Balasco Principal & President

Signature

Principal & President

Title

Susan Cascone
Notary Public
Comm. Expires June 19, 2009

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the
Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Independent Auditor's Report on Internal Control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

MERIDIEN FINANCIAL GROUP, INC.

STATEMENTS OF FINANCIAL CONDITION
December 31, 2005 and 2004

ASSETS	2005	2004
Cash and cash equivalents	\$ 332,710	\$ 126,269
Commissions receivable	144,496	61,454
Prepaid expenses	485	485
Furniture and office equipment, at cost, less accumulated depreciation 2005 \$34,019; 2004 \$64,583	20,083	17,036
	<u>\$ 497,774</u>	<u>\$ 205,244</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 24,273	\$ 41,015
Accrued M Securities fees	28,585	14,915
Commissions payable	321,434	67,562
Income taxes payable	14,331	5,517
	<u>388,623</u>	<u>129,009</u>

STOCKHOLDERS' EQUITY

Common stock, no par value; authorized 400 shares; issued 374 shares	20,125	20,125
Additional paid-in capital	41,378	41,378
Retained earnings	47,648	14,732
	<u>109,151</u>	<u>76,235</u>
	<u>\$ 497,774</u>	<u>\$ 205,244</u>

See Notes to Financial Statements

MERIDIEN FINANCIAL GROUP, INC.

STATEMENTS OF INCOME
Years Ended December 31, 2005 and 2004

	2005	2004
REVENUES	\$ 1,314,968	\$ 1,147,672
EXPENSES		
Compensation costs	909,487	758,972
Secretarial services:		
Affiliate	148,500	183,938
Other	58,043	36,142
Office supplies and expense	38,030	27,237
Depreciation	3,655	8,460
Rent expense	10,800	10,800
Postage and printing	4,083	4,431
Telephone	8,604	7,513
Maintenance	286	700
Travel and entertainment	18,632	19,354
Professional fees	19,834	14,770
Dues, subscriptions and licenses	10,811	6,746
Insurance	13,465	17,983
Management fees	12,000	12,000
M Securities fees	13,669	9,565
Continuing education	2,410	2,735
Utilities	1,200	1,200
Advertising	-	125
Charitable contributions	-	100
	1,273,509	1,122,771
Operating income	41,459	24,901
OTHER INCOME		
Interest income	1,075	1,001
	1,075	1,001
Income before income taxes	42,534	25,902
INCOME TAXES	9,618	5,867
Net income	\$ 32,916	\$ 20,035

See Notes to Financial Statements

MERIDIEN FINANCIAL GROUP, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2005 and 2004

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)
Balances at January 1, 2004	\$ 20,125	\$ 41,378	\$ (5,303)
Net income	-	-	20,035
Balances at December 31, 2004	<u>\$ 20,125</u>	<u>\$ 41,378</u>	<u>\$ 14,732</u>
Balances at January 1, 2005	\$ 20,125	\$ 41,378	\$ 14,732
Net income	-	-	32,916
Balances at December 31, 2005	<u>\$ 20,125</u>	<u>\$ 41,378</u>	<u>\$ 47,648</u>

See Notes to Financial Statements

MERIDIEN FINANCIAL GROUP, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 32,916	\$ 20,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,655	8,460
Changes in assets and liabilities:		
(Increase) decrease in:		
Commissions receivable	(83,042)	17,716
Refundable income taxes	-	350
Increase (decrease) in:		
Accounts payable and accrued expenses	(16,742)	1,883
Accrued M Securities fees	13,670	9,565
Commissions payable	253,872	(44,668)
Income taxes payable	8,814	5,067
Net cash provided by operating activities	<u>213,143</u>	<u>18,408</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(6,702)	(17,790)
Net cash used in investing activity	<u>(6,702)</u>	<u>(17,790)</u>
Net increase in cash and cash equivalents	206,441	618
CASH AND CASH EQUIVALENTS		
Beginning	126,269	125,651
Ending	<u>\$ 332,710</u>	<u>\$ 126,269</u>

See Notes to Financial Statements

MERIDIEN FINANCIAL GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business: Meridien Financial Group, Inc. (the Company) is a Rhode Island broker/dealer regulated by the National Association of Securities Dealers and a member of the Securities Investors Protection Corporation. The Company's principal business activity consists of the generation of commission income from the sale of mutual funds, variable life insurance, variable annuities and shares in registered investment companies.

The Company operates under the provisions of Paragraph (k)(1) – Limited business (mutual funds and/or variable annuities only) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule.

A summary of the Company's significant accounting policies follows:

Cash equivalents: For purposes of reporting cash flows, the Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of a money market fund.

Property, equipment and depreciation: Property and equipment are stated at cost. Depreciation is computed using both straight-line and accelerated methods for financial reporting purposes and is based on estimates of useful lives, ranging from 5 to 10 years.

Income taxes: Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. CASH

The Company maintains its cash accounts in one commercial bank. At times, the amount in the accounts may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

MERIDIEN FINANCIAL GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

Note 3. RELATED PARTY TRANSACTIONS

The Company rents space from a company affiliated through common ownership on a month-to-month basis. In addition, the Company is charged monthly for administrative services provided by the affiliate.

Amounts charged to expense as a result of transactions with the related party during the years ended December 31, 2005 and 2004 consisted of the following:

	2005	2004
Rent and utilities	\$ 12,000	\$ 12,000
Secretarial services	148,500	183,938
	<u>\$ 160,500</u>	<u>\$ 195,938</u>

In addition, the Company paid commissions and management fees of \$627,989 and \$519,377 to the stockholders of the Company during 2005 and 2004, respectively.

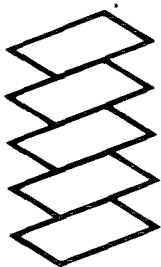
Note 4. INCOME TAXES

The components of the income tax provision for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Current		
Federal	\$ 5,805	\$ 3,487
State	3,813	2,380
	<u>\$ 9,618</u>	<u>\$ 5,867</u>

Note 5. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provision of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital of \$5,000 or 6 2/3% of total aggregate indebtedness, whichever is greater. In addition, the Company's ratio of aggregate indebtedness to net capital cannot exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2005, the Company had net capital of \$75,364 which was in excess of its required net capital of \$25,908. At December 31, 2004, the Company had net capital of \$48,709 which was in excess of its required net capital of \$8,601. At December 31, 2005 and 2004, the Company's ratio of aggregate indebtedness to net capital was 5.16 to 1 and 2.65 to 1, respectively.



BATCHELOR
FRECHETTE
McCRORY
MICHAEL & CO.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

PAUL D. FRECHETTE
EDWARD F. MCCRORY
DAVID P. MICHAEL
JEAN SAYLOR
GEORGE F. WARNER
MICHAEL S. RESNICK
JOSEPH H. CONLEY

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Stockholders
Meridien Financial Group, Inc.
Providence, Rhode Island

We have audited the accompanying financial statements of Meridien Financial Group, Inc. as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 27, 2006. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I-IV is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Batchelor Frechette,
McCrory, Michael & Co.*

Providence, Rhode Island
January 27, 2006

MERIDIEN FINANCIAL GROUP, INC.

SCHEDULE I

**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**

December 31, 2005 and 2004

	2005	2004
AGGREGATE INDEBTEDNESS		
Accounts payable and accrued expenses	\$ 24,273	\$ 41,015
Accrued M Securities fees	28,585	14,915
Commissions payable	321,434	67,562
Income taxes payable	14,331	5,517
Total aggregate indebtedness	<u>\$ 388,623</u>	<u>\$ 129,009</u>
Minimum required net capital	<u>\$ 25,908</u>	<u>\$ 8,601</u>
NET CAPITAL		
Stockholders' equity	\$ 109,151	\$ 76,235
Deductions:		
Furniture and office equipment, net	20,083	17,036
Prepaid expenses	485	485
Nonallowable receivables, 12b-1 fees	13,219	10,005
Net capital	<u>75,364</u>	<u>48,709</u>
Minimum required net capital	25,908	8,601
Capital in excess of minimum requirement	<u>\$ 49,456</u>	<u>\$ 40,108</u>
Ratio of aggregate indebtedness to net capital	<u>5.16 to 1</u>	<u>2.65 to 1</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2005)		
Aggregate indebtedness as reported in Company's Part II (unaudited) FOCUS report	\$ 388,973	\$ 108,577
Liabilities erroneously not included in aggregate indebtedness		
Accrued M Securities fees	-	14,915
Income taxes payable	-	5,517
Financial statement reclassification	350	-
Total aggregate indebtedness	<u>\$ 388,623</u>	<u>\$ 129,009</u>

MERIDIEN FINANCIAL GROUP, INC.

SCHEDULE II

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENT
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2005 and 2004**

The Company has been exempt from Rule 15c3-3 under paragraph (k)(1), limited business (mutual funds and /or variable annuities only).

MERIDIEN FINANCIAL GROUP, INC.

SCHEDULE III

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2005 and 2004**

The Company does not handle any customer accounts. Thus, testing of the system and procedures to comply with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities was not applicable.

MERIDIEN FINANCIAL GROUP, INC.

SCHEDULE IV

**SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR
CUSTOMERS' REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS**

December 31, 2005 and 2004

SEGREGATION REQUIREMENTS

N/A

FUNDS ON DEPOSIT IN SEGREGATION

N/A